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SUBJECT: AMBASSADOR'S APRIL 15 MEETING WITH
ENVIRONMENT MINISTER GABRIEL

REF: A. BERLIN 428

1B. 07 BERLIN 2077 AND PREVIOUS

11. (SBU) SUMMARY: German Environment Minister Gabriel told the Ambassador that Germany recognizes the role sectoral approaches will play in supporting global efforts to reduce greenhouse gas emissions. Gabriel views the Major Economies Process as the key forum for building consensus to support efforts toward a post-2012 framework agreement, but believes developed countries need to show more leadership by taking initial responsibility before China, India, and other emerging economies can be convinced to undertake binding commitments. END SUMMARY.

GABRIEL RECOGNIZES VALUE OF MEP AND SECTORAL
APPROACH

12. (SBU) The Ambassador, accompanied by EMIN and Econoff, met with German Environment Minister Sigmar Gabriel April 15 to seek German support for a forward-leaning Major Economies Leaders Declaration on the margins of the July 2008 G-8 Summit in Japan. Gabriel was accompanied by Environment Ministry Deputy Director General for International Cooperation (and Germany's lead climate change negotiator) Karsten Sach. Gabriel expressed strong support for the Major Economies Process (MEP), noting that the MEP will be for the foreseeable future "the forum" where decisions will be made among the 20 major economies. "Whatever is discussed in the UNFCCC," Gabriel said, "the MEP will be needed to bring the 20 countries on board."

13. (SBU) Gabriel said the most interesting discussion at the first Major Economies Meeting in September 2007 was the emphasis the U.S. had placed on the Montreal Protocol as an example of the successful application of a sectoral approach. At the end of the day, Gabriel predicted, the post-2012 framework agreement will employ a mixture of global and sectoral

approaches. Pointing to the ongoing discussion among EU member states, Gabriel said that the EU would not be able to accept a global treaty without looking at sectoral agreements in at least five energy-intensive areas, including auto manufacturing and steel. "We need to create the prospect for European industry of a level playing field," he added.

14. (SBU) In response to the Ambassador's request that Germany support the U.S. call for all major economies (including China and other emerging economies) to take on binding commitments, Gabriel agreed that the emerging economies would need to make binding commitments in the UNFCCC process, but insisted that developed countries -- and the United States in particular -- must "show leadership" by being the first ones to make a commitment. The Ambassador stressed the importance of recognizing that each country has a different starting point, but that does not diminish the need to press countries to make commitments that they are willing to live by.

GERMAN CONCERNS ON LEADERS DECLARATION MAINLY
PROCEDURAL

15. (SBU) In a follow-on discussion with EMIN and Econoff, Sach said that he and colleagues at the Federal Chancellery had not yet seen the revised

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draft of the Leaders Declaration, but noted that the emerging economies continued to reject anything that might go beyond a "political" statement. Sach said Germany's concern about the Leaders Declaration is more procedural in nature. Germany would like discussion on the Leaders Declaration to be more closely coordinated with the G-8 Sherpas' discussions on the G-8 Summit Declaration to ensure consistency in the way both declarations are framed.

16. (SBU) Specifically, Sach said, Germany would like to use the G-8 Summit Declaration to move the emerging economies toward sectoral approaches by laying out a series of benchmarks that would gradually level the playing field over the course of several years. Sach speculated that the G-8 Summit Declaration might state that G-8 leaders consider halving emissions by 2050 to be adequate, but note that the G-8 countries need help to do it. This would increase pressure on the emerging economies to step up at the G8 + 05 meeting the following day and/or at the follow-on MEP Leaders press conference. Developed countries must first show leadership in order to get the emerging economies to commit, he insisted, noting that Brazilian officials have privately admitted they will need to make commitments, but will wait to do so until the end of the process.

CLEAN TECHNOLOGY FUND

17. (SBU) Asked for the German view on the U.S. proposal to establish a Clean Technology Fund (CTF), Sach said he had heard that the April 12 discussions between Treasury U/S McCormick and German Development Minister Wieczorek-Zeul had

been productive. Sach said Germany had initially been concerned that recipient countries take "ownership" in the Fund's governance in order to avoid the appearance of conditionality. Discussions are moving in the right direction, Sach said, adding "there are no issues here that cannot be overcome." Sach said Germany would also like to see greater focus on supporting adaptation funds already built into the UNFCCC. Sach stressed that Germany does not oppose the CTF and generally supports U.S. technology-based initiatives. Sach requested additional information to address perceived discrepancies between President Bush's publicly announced pledge for CTF of 2 billion USD and Congressional allocations of only 100 million USD to date.

GERMANY COMMITTED TO 40 PERCENT EMISSIONS
REDUCTION TARGET

18. (SBU) Turning to domestic developments, Sach said the Environment Ministry's decision to abandon a planned increase in the unlabeled blending mandate for bioethanol in gasoline from five to ten percent (ref A) would not diminish Germany's commitment to reduce its GHG emissions by 40 percent over the 1990 base by 2020. The share of renewables in fuel production will increase from 6 to 14 percent instead of from 6 to 17 percent as previously planned. The three percent difference will be made up for by increasing the number of fixed power installations (combined heating and power stations). Sach noted a large portion of the projected GHG emissions reductions would come from increased energy efficiency. "The perception is much bigger than the actual burden" that will be imposed by Germany's ambitious

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reduction goals, he insisted.

19. (SBU) Sach insisted that German price guarantees for solar energy are not technically subsidies, because the German government does not provide direct funding to users or providers. Instead, the government guarantees prices for solar-produced electricity that are higher than electricity from other sources. Sach disagreed that price guarantees are a type of indirect subsidy but, when pressed, quickly changed tack by arguing that German energy consumers hold themselves to a "higher standard" and are willing to pay more to fight climate change. Sach indicated that Germany would pursue similar initiatives to promote the development of clean coal technology -- the German Government will not fund the construction of physical plants, but will fund research on storage and safety and the development of an implementing framework. Ultimately, Sach said, Germany prefers the "polluter pays" principle, which avoids market-distorting incentives.

TIMKEN JR.